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CIA/OER/S-06793-74

LDC National Planning Models

Developing country success with national economic planning models tends to vary inversely with the complexity of the models. Highly detailed, complex models such as the Indian, Chilean and Argentine planning efforts have fallen far off their mark both for general economic objectives and for sectoral objectives such as investment. Venezuela has had a better experience among those with highly detailed plans. More highly generalized models which deal with broad economic aggregates tend to create a closer approach to reality between plans and achievement. Moreover, the latter technique which is followed by such countries as Brazil, Korea, Taiwan, and Malaysia as well as most of the small African nations which have any economic planning activity has produced more ~~as~~ rapid rates of economic growth than those ~~as any~~ obtained under detailed planning.

Detailed state economic planning in the less developed countries (LDCs) is often accompanied by:

1) Unrealistic economic objectives, often politically motivated

2) Creation of economic coefficients to support these unreal objectives rather than describe domestic economic reality

3) Creation of a plan structure which is more complex than the economic institutions of the nation can effectively manage

4) Efforts to achieve plan objectives in isolated sectors which increasingly invalidate achievement of other specific and general economic objectives.

Generalized economic planning models are also often subject to politicization of economic objectives. They have the great advantage or disadvantage that they tend to have a structure which is consonant with the scope and control of national economic institutions. There is less opportunity for blame casting and localized economic disorganization arising from success or failure of isolated planning components.

National planning models, whatever their prescription, have introduced into these countries some systematic attention to national economic priorities. This has provided a needed guide to control both of external and indigenous private and governmental investment. It has also tended to restore a better balance between industrial and agricultural development as more countries recognize that their comparative economic advantage often rests in agricultural output or in industries built upon their agricultural raw materials and minerals.

All central economic planning in the LDCs rests on the enormous exposure of these economies to the vagaries of international commodity markets and cyclical fluctuations in the industrial nations which constitute the sole market for LDC exports and credit. LDC economic plans tend to fluctuate between near fulfillment or even considerable overfulfillment and serious shortfall. When industrial economies are growing, they are willing to purchase the principal manufactures of the LDCs and commodity markets tend to be strong. Under these conditions LDC economic plans tend to be achieved even among the detailed planners. Let a pronounced slowing of growth or decline set in the industrial states and LDC economic plans fail by wide margins at the very time when financial capital to strengthen such plans is most difficult to obtain. It is out of this wide magnitude of economic fluctuation that is born the LDC effort to create raw material cartel arrangements and more sturdy regional financial institutions which would increase the certainty of economic receipts and financial plans.

Central Planning in LDCs -- An ~~Overview~~ Appendix of Country Notes

Argentina:

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Argentina's Plan Trienal, covering the 1974/77 period, calls for 7.5% annual growth of GDP; annual increases of 7% in real wages; acceleration of public investment by 20% per annum to over $5 billion in 1977; and trade and payments surpluses sufficient to push foreign exchange reserves to $4.5 billion by the end of the period. All of this is to take place while national income is being redistributed in favor of labor and unemployment is being cut to 2.5%. The Plan is a very weak planning document. Growth targets are unrealistic and no consideration is given to resource allocation problems implicit in the public sector investment programs. Inflation, monetary and fiscal policy, exchange rates, and investment financing are all but ignored in the plan. Nevertheless, the plan does incorporate ~~previous~~ detailed sub-plan ~~programs~~ for development of selected industrial sectors such as electric power, steel and petrochemical production. While some progress has been made in these industries, Peronists ~~policymakers~~ are already groping for excuses for failures in 1974 ~~to even come close to some of the 1974 targets~~. Petroleum production continues to decline despite plans for major increases; agricultural production continues to fall short of production goals ~~expectations~~ despite major cuts in planning targets; and nearly all industrial development projects are running well behind schedule.

Chile

The junta's current 10-year plan is probably most notable for its lack of detail. Even so, it is probably irrelevant due to the extreme sensitivity of the Chilean economy to volatile world prices of copper, grain, and oil. Thus, the planning document at best reflects a rough sense of direction and priorities -- subject to constant and major revisions.

Venezuela

Planning in Venezuela is probably more meaningful than in many other LDCs. The Central Office of Coordination and Planning (CORDIPLAN), a semiantonomous agency directly under the President, sets overall national goals and attempts to coordinate all development efforts. Four-year plans, subject to revision at two-year intervals, are designed to set realistic goals for all sectors of the economy and have followed a generally consistent development strategy.

Central Planning in Brazil

Brazil has engaged in economic planning throughout the past World War II years. Beginning with fairly simple plans concerned only with a few key areas of the economy, primarily the transportation and energy sectors, and designed chiefly to eliminate the bottlenecks that hamper growth, planning now attempts to provide a comprehensive blueprint for the whole economy. Nevertheless, Brazil has not achieved full scale central planning because; (1) it lacks the technical resources to develop such plans; and (2) despite the governments pervasive influence over the economy, it does not have the control needed to execute such plans. Brazils most recent plan, the Second National Development Plan 1975-1979 (II PND), has just been completed. It outlines a long list of economic goals but does not attempt to methodically match output objectives with required input growth. The II PND probably was intended as a general guide to economic policy but events already have overtaken important parts of it and it will tend to become increasingly irrelevant as time passes.

NATIONAL PLANS IN SUB-SAHARAN AFRICA a/

1. Almost all Sub-Saharan countries utilize national economic development plans. Few are meant to be detailed prescriptions ~~from~~ for economic growth; instead, they represent broad outlines of development goals and indicate priorities assigned to particular sectors and industries. Although investment targets are projected, financing and planning for particular programs and projects are seldom detailed. Most plans cover a period of about five years, but many range from three to ten years.

2. The focus of planning has recently begun to be shifted in many countries from industrialization to agriculture. The recent Malian plan for 1974-78 represents an example of this trend:

Investment goal	Million US $ 1,640	Percent 100
Rural development	535	33
Communications and tourism	385	23
Energy and water	275	17
Industry and mining	190	11
Other	255	16

3. Although planning has been widespread in Sub-Saharan Africa since most of the countries gained independence around 1960, few plans have been completed with a high degree

of success. In addition to financing problems, most plans suffer from poor administration because of inadequate bureaucratic and technical skills and a lack of accurate data. The detailed work of actually selecting and preparing projects has been a particularly intractable problem.

a/ Details on Liberia's and Ivory Coast's plans are attached.

Approved For Release 2004/10/12 : CIA-RDP85T00875R002000020021-1

LIBERIA

Liberia's first major effort at national planning began with the establishment in 1962 of the National Planning Agency -- now called the Ministry of Planning and Economic Affairs. Under the ministry's 4-year plan, 1967-70, total expenditures of $98 million were projected. The planned distribution of development funds placed major emphasis on transportation and public utilities; secondary emphasis was given to agriculture, education, public health, and natural resource development. One-third of the money to finance development was to be derived from domestic resources and two-thirds from foreign assistance. The plan did not declare an explicit goal for economic growth and gave no systematic analysis of growth prospects.

Although limited gains were achieved in the priority sectors, proposed projects were not sufficiently outlined, and the government failed to define clearly the priority of the plan during budget preparations. The planning experience, nevertheless, has led to more systematic control and evaluation of development funding by the Ministry of Planning and Economic Affairs, and other governmental bureaus were required to obtain the consent of the Ministry and that of the Ministry of Finance for development projects. Development planning will most likely continue to take the form of annual or multiyear budgeting rather than detailed growth plans.

IVORY COAST

Since 1960, investment has been guided by the government's "Ten-Year Perspectives for Economic and Social Development, 1960-70." The document, adopted and made public in 1967, was extended to run through 1975. Economic plans with legal force were prepared for the 4-year period 1967-70, specifying the guidelines of the perspectives. The plans are "rolling" investment programs (for example, for 1967-69, then 1968-70, and so forth) and are contained in annual investment budgets. Plans are drawn up in the Ministry of Plan, which was separated from the Office of the President in 1966. Its statutory responsibilities are to propose development programs, draw up and administer plans, procure equipment, and seek financing. The main objectives of 1960-70 planning were: to raise GDP annually by 7.3% in real terms; per capita national income by 4.8%; foodcrop output by 2.8%; industrial output by 15.4%; and exports by 7.8%. Each target was achieved or closely approximated and, in the case of exports, exceeded. ~~Figure 39~~ Table 1 shows the sources and uses of public investment; comparable private investment figures are not available, but estimates run as high as $1 billion for the same 10-year period.

Because of heavy commitments in the late 1960's for the Kossou dam, the southwest development, and the port of San-Pedro -- none of which had been envisioned in the original perspectives -- a new master plan was drawn up. The new plan attempts to take into account the expanded southwest development and to direct investment in job creating programs. Table 2 gives a tabulation of the sources and uses of investment of the Five-Year Plan of Economic and Social Development for 1971-75. Significant costs not included in the plan document (such as the cost of re-settling persons displaced by the Kossou dam) have already raised the total planned investment, however, and further increases are likely. The plan contains three principal objectives: strong economic growth, increased Ivorian participation in economic activity (especially in industry), and improved rural living conditions. Emphasis is also placed on rapid development of education and professional training. Local processing is to be stepped up, with manufactures and agricultural output from large-scale plantations geared to foreign markets.

Approved For Release 2004/10/12 : CIA-RDP85T00875R002000020021-1

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23 Dec. 1974
S-6703

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MEMORANDUM FOR: [redacted]

The attached S-6703, LDC National Planning Models, was prepared at the request of Dr. Ed Hullander, CIEP. It was transmitted via the LDX system on 23 Dec. 74. Contributions were received from D/LA, D/S, I/JP and D/NE and the package is to be used for inclusion in the CIEP Annual Report.

[redacted]

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24 December 74
(DATE)

FORM NO. 101 REPLACES FORM 10-101
1 AUG 54 WHICH MAY BE USED. (47)

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